

Message Text

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PAGE 01 PARAMA 00407 202356Z
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AMEMBASSY THE HAGUE

C O N F I D E N T I A L PARAMARIBO 407

E.O. 11652: N/A
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SUBJ: DUTCH STAND FIRM ON DEVELOPMENT AID AND SURINAM GIVES IN

REF: PARAMARIBO 339(NOTAL)

1. NETHERLANDS DEVELOPMENT COOPERATION MINISTER DE KONING COMPLETED HIS WEEK OF TALKS IN PARAMARIBO MARCH 18 HAVING IMPRESSED UPON HIS SURINAMESE COLLEAGUES HIS DETERMINATION TO MAINTAIN A SIGNIFICANT DUTCH VOICE IN DEVELOPMENT AID ON THE BASIS OF RATIONAL AND ECONOMIC CRITERIA WITH SURINAM SHOLDERING A FAIR SHARE OF THE FINANCIAL BURDEN. AT THE SAME TIME, DE KONING MANAGED TO CONVEY A SENSE OF DUTCH WILLINGNESS TO CONTINUE COOPERATING EXTENSIVELY WITH SURINAM'S DEVELOPMENT EFFORTS, A FEELING RECIPROCATED IN OFFICIAL GOS STATEMENTS STRESSING THE FRIENDLY ATMOSPHERE SURROUNDING THE DISCUSSIONS WITH DE KONING.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PARAMA 00407 202356Z

2. THE TWO MAJOR POINTS OF DISCUSSION DURING DE KONING'S VISIT, WHICH TOOK PLACE ABOUT EIGHT WEEKS AFTER THE JANUARY BREAKDOWN OF THE NETHERLANDS-SURINAM DEVELOPMENT COOPERATION COMMITTEE (CONS, THE BODY WHICH APPROVES EXPENDITURES FROM THE NETHERLANDS ASSISTANCE FUNDS), WERE REPORTEDLY THE METHOD OF FUNCTIONING OF THE CONS ITSELF AND THE CONTINUED FINANCING OF THE RAILROAD PROJECT

IN WEST SURINAM (IN WHICH MORRISON-KNUDSEN IS THE MAJOR PARTNER IN A CONSORTIUM CONSISTING OF HALF A DOZEN FIRMS). TWO NEW WORKING GROUPS WILL BE SET UP TO LOOK INTO THE QUESTIONS OF (1) WHAT SHOULD BE CONSIDERED INFRASTRUCTURE AND WHAT PRODUCTIVE ENTERPRISE, MATTERS ON THE DUTCH AND THE SURINAMESE HAVE HAD DIFFERING VIEWS; AND (2) HOW SHOULD PROPOSED PROJECTS BE HANDLED ADMINISTRATIVELY BEFORE THEY ARE PRESENTED FOR APPROVAL BY THE CONS. IN A RADIO INTERVIEW, DE KONING EXPLAINED THIS LATTER POINT IN TERMS OF GETTING PROJECTS IN FINAL AND TECHNICALLY CORRECT FORM BEFORE CONSIDERATION BY THE CONS.

3. THE PROBLEM OF ADDITIONAL FINANCING FOR THE WEST SURINAM RAILROAD AROSE BECAUSE THE DUTCH REFUSED TO INCREASE THEIR CONTRIBUTION TO COVER THE LAST QUARTER OF THE PROJECT'S COST (TOTALY APPROXIMATELY \$90 MILLION), INSISTING THAT THE GOS COME UP WITH ITS AGREED-UPON SHARE OF ABOUT SF. 40 MILLION (\$23 MILLION). AS A RESULT OF DE KONING'S VISIT, THE GOS HAS NOW AGREED TO LOOK FOR ITS SHARE OF THE FINANCING IN THE INTERNATIONAL CAPITAL MARKET (WHICH MAY INCLUDE THE INTERNATIONAL FINANCIAL INSTITUTIONS). THE DUTCH HAVE AGREED TO GUARANTEE THE LOAN, WHICH WOULD BE THE FIRST UNDERTAKEN BY THE GOS SINCE SURINAM'S INDEPENDENCE IN NOVEMBER 1975. IN ADDITIONL, THE DUTCH WILL PUT UP \$6.5 MILLION

CONFIDENTIAL

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PAGE 03 PARAMA 00407 202356Z

TO FUND SURINAM'S MEMBERSHIP IN THE IMF, THE IBRD, AND THE INTER-AMERICAN DEVELOPMENT BANK, AS A FIRST STEP IN THE PROCESS. THE GOS WILL ESTABLISH A SPECIAL GOVERNMENT ORGAN HEADED BY FINANCE MINISTER GOEDE TO LOOK INTO FINANCING ARRANGEMENTS.

4. IT WAS ALSO AGREED THAT DE KONING AND HIS SURINAM COUNTERPART CAMBRIDGE, WILL IN THE FUTURE MEET TWICE A YEAR, ALTERNATELY IN PARAMARIBO AND THE HAGUE, TO DISCUSS DEVELOPMENT COOPERATION AND TO AVOID MISUNDERSTANDINGS WHICH MIGHT OTHERWISE ARISE. FINALLY, PROCEDURES FOR PRIVATE ORGANIZATIONS AND INSTITUTIONS TO UTILIZE DEVELOPMENT ASSISTANCE FUNDS WILL BE MADE MORE FLEXIBLE.

5. COMMENT: IN HIS WEEK-LONG VISIT, DE KONING TOURED JUST ABOUT EVERY SIGNIFICANT DEVELOPMENT PROJECT AND PRODUCTIVE ENTERPRISE IN SURINAM PRESUMABLY WHAT HE SAW ONLY CONFIRMED DUTCH VIEWS OF WHAT WAS NEEDED TO GET THEIR DEVELOPMENT ASSISTANCE PROGRAM IN SURINAM UNDERWAY AGAIN. THE SURINAMERS, WHO ARE FULLY AWARE OF THE EXTENT OF THEIR ECONOMY'S

DEPENDENCE ON THE CONTINUED FLOW OF DUTCH ASSISTANCE FUNDS INTO SURINAM, WERE OBVIOUSLY READY TO TALK SERIOUSLY WITH THE DUTCH, ALTHOUGH THEY HAVE UNDOUBTEDLY NOT GIVEN UP THEIR OWN VIEWS ON DEVELOPMENT PRIORITIES.

6. A MAJOR ATTITUDINAL CHANGE WHICH CAN BE ATTRIBUTED TO DE KONING'S VISIT IN THE GOS AGREEMENT TO TURN TO EXTERNAL BORROWING TO FINANCE ITS SHARE OF THE WEST SURINAM RAILROAD. MANY IN THE DEVELOPMENT OFFICES OF THE GOS RESISTED THIS MOVE, OBVIOUSLY PREFERRING DUTCH GRANTS TO THE MAXIMUM EXTENT POSSIBLE. THE GOS, HOWEVER, IS IN AN EXTREMELY FAVORABLE POSITION TO ENTER INTO FOREIGN LOANS WITH ITS FOREIGN EXCHANGE

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CONFIDENTIAL

PAGE 04 PARAMA 00407 202356Z

RESERVES AT WELL OVER \$100 MILLION AND AN EXTERNAL DEBT OF ONLY ABOUT \$5 MILLION, AND WITH A DUTCH GUARANTEE WOULD PRESUMABLY ENCOUNTER FEW DIFFICULTIES IN OBTAINING A LOAN AT COMMERCIAL RATES. BUT MOST IMPORTANT TO THE DUTCH, THE GOS HAS REAFFIRMED ITS OBLIGATION TO SHARE THE FINANCING OF DEVELOPMENT PROJECTS FUNDED MAINLY BY THE DUTCH.

7. AS NOTED REFTEL, ACHIEVEMENTS OF DE KONING VISIT, WHILE PROVIDING A BASIS FOR CONTINUATION OF THE DUTCH DEVELOPMENT ASSISTANCE PROGRAM IN SURINAM, SHOULD NOT BE MISINTERPRETED AS FORECASTING A SMOOTH ASSISTANCE RELATIONSHIP BETWEEN THE GOS AND THE GON. WHILE THE CONS WILL PRESUMABLY RESUME FUNCTIONING AT ITS NEXT SCHEDULED MEETING IN APRIL IN THE HAGUE, THERE REMAINS PLENTY OF ROOM FOR FRICITION AND DISAGREEMENT FOSTERED BY WHAT IS LIKELY TO BE CONTINUING, IF NOT INCREASING, SENSE OF OVERDEPENDENCE ON THE DUTCH AMONG SURINAMESE OFFICIALS AND THE PUBLIC AT LARGE.

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